October 4, 2010

IHBA Presentation to Exchange Workgroup

Legislative Health Care Coverage Commission

Thank you for this opportunity to present our thoughts regarding your important work.

The Alliance is an association of consumers and purchasers working together for better health, better health care and better value. We encourage labor and management to work together as health care customers. The Alliance understands the importance of wellness and health promotion, that quality costs less, and that transparency and public reporting in the health care industry will help create needed change. Currently our members include over 40 Iowa organizations which buy and receive health care for more than 500,000 Iowans. We are Iowa's only consumer and purchaser organization focused on health and health care.

We salute your effort and the work of this Commission. It is very important for all Iowans. Coverage and access to health care, costs, and quality are all key issues and are related to one another. Often, there is a direct, but inverse relationship between cost and access. As you know rapidly escalating health care cost tends to reduce coverage by making it less affordable.

Effective actions to increase value by improving quality and driving-out costs are essential. We believe it very difficult if not impossible to sustain coverage without action on the quality, cost, and value front. While health promotion and wellness have much potential to improve health, our focus today is on what can be done to improve value in medical care and health care.

It is our belief that the best way to improve health care value is to improve quality and patient safety which will in turn improve care and help drive-out cost. There are a lot of opportunities to do so in our current health care industry. Below are a few examples:

- Thirty percent (30%) of health care cost are due to poor-quality. This resulted in cost of about $2,900 per covered employee based upon Towers Perrin latest (2009) employer/employee health care costs. In addition, the indirect costs of poor quality (e.g. reduced productivity due to absenteeism) add an estimated 25 to 50%. Source: Midwest Business Group on Health 2003 report "Reducing the Costs of Poor-Quality Health Care through Responsible Purchasing Leadership" This report was prepared in collaboration with the Juran Institute and guidance from an expert panel.

- There are about 195,000 preventable deaths from medical errors in hospitals each year. Source: Health Grades update of Institute of Medicine Report, 2004

- Hospital associated infections account for an estimated 1.7 million infections and 99,000 associated deaths each year. Source: Centers for Disease Control and Prevention (CDC), 2009.

- The annual direct cost of preventable hospital acquired infections is $25 billion to $31.5 billion. Source: CDC, 2009

- About one-third of common surgical procedures may not be necessary. About one-third of procedures were provided for reasons that were not supported by clinical research and may have been harmful to patients. These include angioplasty, CABG, angiography, and hysterectomy. Source: RAND Corporation report "U.S. Health Care: Facts about Cost, Access, and Quality", 2005.

- Overall, about one-half of recommended care is received. Recommended care for acute care problems (e.g., pneumonia and urinary tract infections) was provided 54 % of the time. Source: same as above.

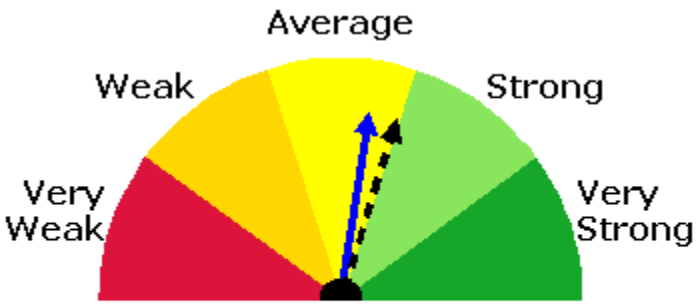
- "About 70% of what we do is non-value added (waste)." Source: John Toussaint, MD, President and CEO of ThedaCare, Appleton, WI, 2005 presentation to the Institute for Health Care Improvement. ThedaCare is a large organization of hospitals and physicians in Wisconsin.

Iowa is often mentioned as a state with high quality of care compared to other states. The Commonwealth Fund ranks Iowa's health system performance in the top quartile of states. This is based on 38 indicators of access, quality, costs, and outcomes. Additional information is available from the 2009 National Healthcare Quality Report (NHQR) of the Agency for Healthcare Research and Quality (AHRQ) which is built on more than 200 measures categorized across four dimensions of quality, effectiveness, patient safety, timeliness, and patient centeredness. It indicates that overall quality of care in Iowa is in the average range and has fallen some from the base year. The bordering state of Minnesota has improved from average to strong while Wisconsin has risen within the strong range.

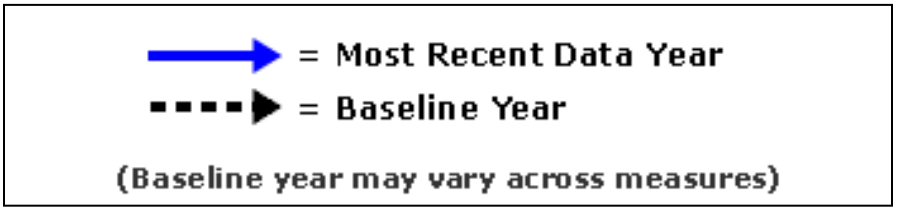
Also, quality of care in Iowa varies by type of care, setting of care, and care by clinical area. Of the 12 quality measures for these three categories below, Iowa has dropped on eight (8), is up on one (1), and the other three are unchanged. See graphs below.

Iowa Dashboard on Health Care Quality Compared to All States

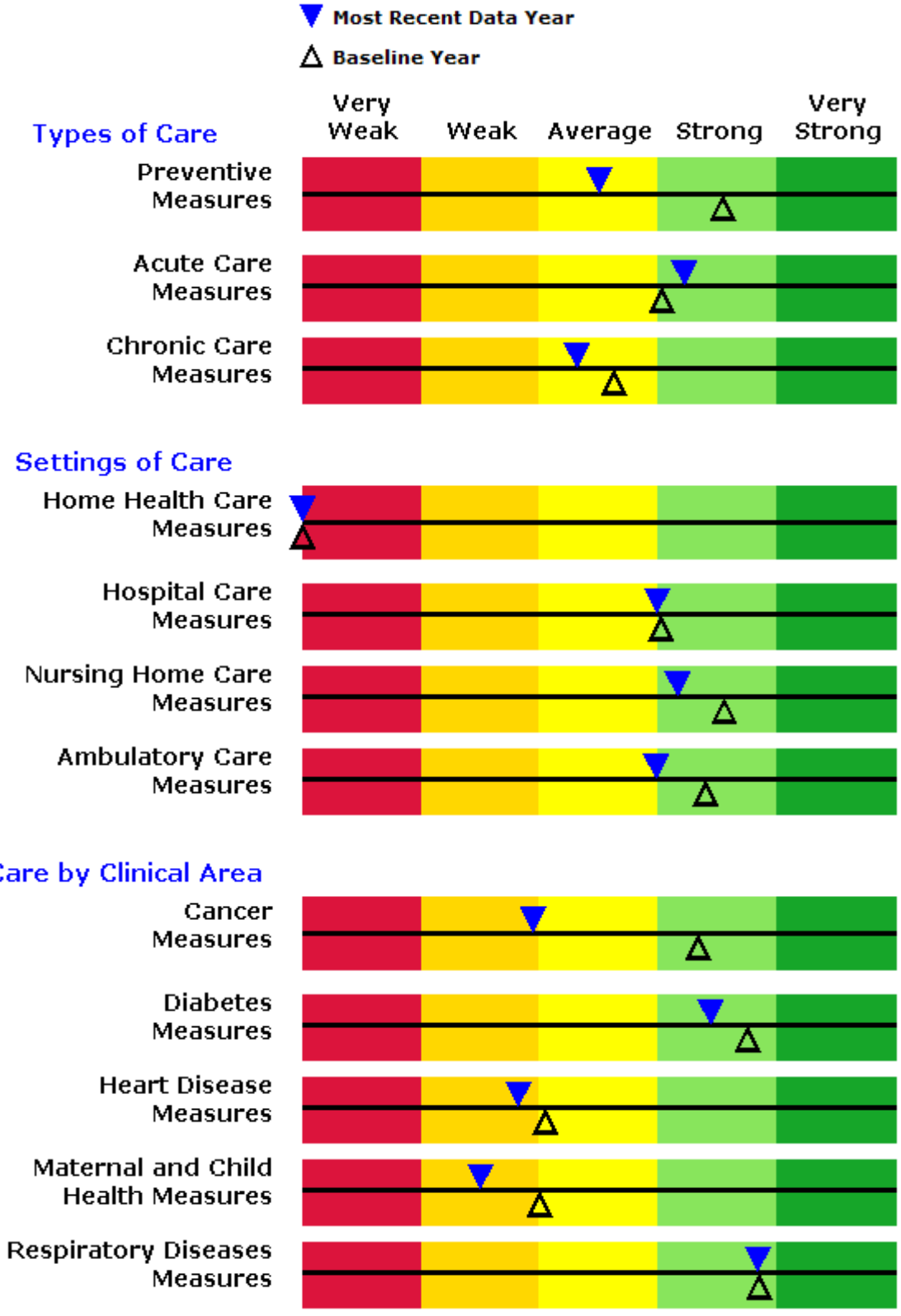
Overall Health Care Quality



Performance Meter: All Measures



The graphics on this page are summaries of measures reported in the National Healthcare Quality Report (NHQR) for Iowa. Above is a summary of over 100 measures in the NHQR reported at the State level and below are graphics describing specific types of care, settings of care and care in clinical areas. Select the graphics to find the underlying measures.



Each graphic shows a State's balance of below average, average, and above average measures

compared to all States reporting such data in the United States. The graphics have five categories: very weak, weak, average, strong, and very strong. This State's performance for the most recent data year is described by a solid arrow or solid triangle; a dashed arrow or hollow triangle describes the baseline year. A missing arrow or triangle means there were insufficient data to create the summary measure. An arrow or triangle pointing to "Very weak" means all or nearly all included measures for a State are below average within a given data year. An arrow or triangle pointing to "Very strong" indicates that all or nearly all available measures for a State are above average within a given data year.

AHRQ has produced the annual National Healthcare Quality Report starting in 2003 after the Congress directed them to do so in 1999. The 2009 report is the seventh annual report. The main purpose of these reports is to show readers the extent to which care in the United States is delivered in an effective, safe, patient-centered, and efficient manner.

Three themes from the 2009 NHQR emphasize the need to accelerate progress if the Nation is to achieve higher quality health care in the near future:

- Health care quality needs to be improved, particularly for uninsured individuals, who are less likely to get recommended care.
- Some areas merit urgent attention, including patient safety and health care associated infections.
- Quality is improving, but the pace is slow, especially for preventative care and chronic disease management.

Studies show there is a wide variation in the quality of care in Iowa by health provider facility and group, with many opportunities for improvement. While being average or above the national average may be good as a starting point, the national average is not the goal given the quality problems and shortcomings of the current system. It will not come close to the improvement in quality and value needed if a sustainable health care system is to be achieved. A better goal is “best in class” or the top 10 % nationally. This goal is used by IHBA in our Consumers’ Health Guide Series and the national average is also shown as a reference point.

Last November marked the 10-year anniversary of the Institute of Medicine’s “To Err Is Human”, the first of its 11-volume “Quality Chasm” series on improving patient care and avoiding mistakes. Are hospitals safer now? According to the Institute for Healthcare Improvement “We’re safer in many more places, and more of the time”. “There is in many places more accountability and more responsibility.” Many states now require reporting of adverse events and public reporting of hospital acquired infections, patient falls or pressure ulcers. The Institute for Healthcare improvement launched a number of safety strategies including its “100,000 Lives Campaign” followed by its “5 Million Lives Campaign” to address medical mistakes. Even with these and other efforts many challenges remain and great improvement opportunities exist.

What will it take to motivate hospitals and other providers to make health care of higher quality and safer? That is the question raised by many. Evidence is available on the effectiveness of three major approaches: regulation/accreditation, financial incentives, and public reporting of performance and feedback to providers. Of the three the most promising is meaningful public reporting. This was reported in the March issue of the Commonwealth Fund publication Perspectives on Health Reform. In this article Lucian L. Leape, MD, Adjunct Professor, Department of Health Policy and Management, Harvard School of Public Health explains the importance of public reporting. Dr. Leape points out “From an ethical standpoint, the argument in favor of transparency is straightforward: the public has a vital stake in the outcomes of health care, and therefore it has the right to know how we are doing. The contrary argument that hospitals and doctors have a right to keep their results secret in order protect those with bad results is patently untenable.”

Additionally, James B. Conway with the Institute for Healthcare Improvement recently stated;

"Consistent advancing quality requires transparency….it's hard to have safety where you don't have transparency."

A key barrier is the common concern among health care providers that transparency and disclosure might prompt a lawsuit. These concerns, however, may be unfounded. In 2001 the University of Michigan Health System adopted a full-disclosure and compensation-offer policy for medical errors. Within seven years, the average monthly rate of new claims decreased by 64 percent, and the average monthly rate of lawsuits fell by 35 percent. System-wide legal costs decreased as well.

Public reporting is also a necessary part of improving financial incentives. Value-based incentive programs are underway such as the new emerging Accountable Care Organizations (ACOs). Public reporting will be necessary for these ACOs to work effectively. These ACOs have the potential for improving quality and affordability. The Consumer-Purchaser Disclosure Project (a collaboration of leading national and local employer, consumer, and labor organizations) has identified the four big issues for ACOs: 1) Are ACOs delivering on their fullest potential with meaningful and significant improvement in quality and savings? 2) Beware of emerging cartels! 3) Alignment between public and private sectors and 4) Are patient-centered provisions in place?

How will ACOs be different from HMO's and other managed care of the past? Transparency and meaningful public reporting will be essential for the success of ACOs and for the public to measure the results.

Dr. Kitchell, representing the Iowa Medical Society, recently described how we know there is unnecessary or ineffective care. Referring to the Dartmouth research on geographic variation, he reported it shows over 30% of health care cost is wasted. That is a conservative number as indicated by the facts above. The IHBA recently published Guide 4: Ranking of Hospitals for Chronic Care, Greater Iowa Area using data from the Dartmouth Atlas. To be clear, Dartmouth shows not only wide variation and waste across the U.S., but also within Iowa. Our report shows large disparity in the amount of hospital care for serious chronic disease such as cancer, heart disease and lung disease exist depending upon which hospital provides the care. This discrepancy has lead Dartmouth researchers to conclude that "aggressive medical care can lead to more pain, with no gain".

IHBA also published our Guide 3: What Patients Say About Their Experiences with Hospital Care in the Greater Iowa Area". It shows wide variation and opportunities to improve in Iowa as well. Patients who said they would definitely recommend the hospital based upon their experience ranged from a high of 85% to a low of 54% in greater Iowa. There is also wide variation in measures such as "Nurses and Doctors Always Communicate Well' and other factors important to patients and good outcomes.

We believe strongly that meaningful transparency and full public disclosure are the key building blocks for value improvement in health care. The importance of transparency and meaningful comparative public reporting of health care provider performance on quality, patient safety and cost is now broadly recognized. It has proven to be an important catalyst for needed change and improvement in the health care industry. It is also essential for consumers and patients.

There is a lot of very good work underway which advances meaningful public reporting, disclosure, and accountability in health care:

- Measures: The National Quality Forum (NQF), which involves all major stakeholders, is recognized nationally as the group which endorses consensus standards that ensure consistent definitions and specifications for measuring the quality of care in the U.S.

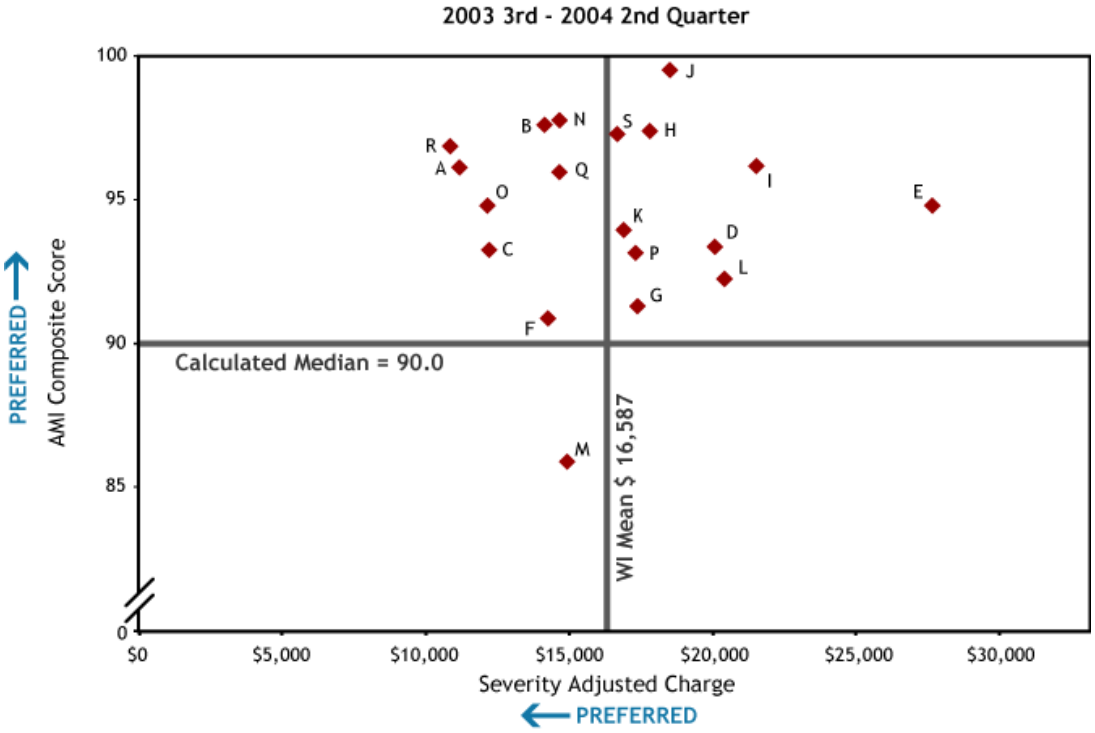
- Producing meaningful information: There are numerous organizations at the local, state and

national levels using NQF measures to produce information for public reporting and to drive performance improvement. Currently four national organizations are widely recognized. They are Center for Medicare and Medicaid Services (CMS), The Leapfrog Group, Dartmouth Atlas, and AHRQ. Others have focused on a specific NQF measurement such as hospital infection rates and "never events" which also provide meaningful information to consumers, patients and purchasers. (Note: Generally speaking, Iowa hospitals only report the CMS starter set measure where there is a financial incentive to do so put in place by the Federal Government which requires this reporting or they get paid.

- Public reporting: A majority of states have provided for at least some meaningful public reporting. Several are state run data organizations, i.e., Pennsylvania, Florida and Massachusetts. Some 27 states require hospitals to publicly report their infection rates and many state require hospitals to publicly report on their "never events". These are 28 events identified by the NQF that should never happen. The state of Maine has taken a different approach using a positive incentive. State employees and their family members have their hospital deductibles waived if they use hospitals that report on their patient safety to The Leapfrog Group. Nearly all of the state's hospitals now report unlike Iowa where only a handful does. In other states providers have stepped-up to publicly report in a meaningful way.

The Wisconsin Collaborative for Healthcare Quality is a leader among states where providers have taken a lead. See diagram below as an example of their public reporting of quality and cost by individual hospital in Wisconsin for acute myocardial infarction (heart attack).

Cost and Quality Value Equation: Example



The Wisconsin Collaborative for Healthcare Quality and ThedCare have found many benefits to health provider and systems in publicly reporting this type of data: 1) business differentiator, 2) motivates health systems people to get better by improving their processes (LEAN transformation), 3) public reporting through the state/public agency is much more powerful with their customers (employers and employees) than by its own reporting which is perceived by the public as self-serving. (Notice that the hospitals with higher
than median quality scores participated in this voluntary reporting program.

While Iowa is behind leading states in meaningful public reporting of health care providers' performance on quality and patient safety, we can become a leader as we are in other fields. It will take real leadership to do the right thing to advance our health care quality and value which will clearly be in the best interest of all Iowans.

Meaningful public reporting is becoming more broadly supported by the Iowa public, the media, and also on a bi-partisan basis. The Des Moines Register has been running a series of articles and editorials supporting public reporting of hospital infection rates recently. There is growing knowledge and support among the public as well.

The Iowa GOP has joined the Iowa Democratic leaders in support of public reporting. In September 2009 Republican legislators offered health care reform ideas of "Common sense and market-based approaches". Their proposals include "increasing the availability of information about health care costs and quality".

The Iowa Association of Business and Industry (ABI) support transparency and public reporting as well. In their 2010 Policy: "ABI supports increased transparency in the health care industry, including comparative public reporting of licensed independent health providers' quality, outcomes, and fees." Also, "ABI supports a consumer-driven, free market employee benefit system emphasizing quality and comparative pricing.

Last summer, in the heat of debate on national health reform, a guest commentator on Sunday's Meet the Press remarked: "In many ways, health care is as secretive as the CIA". Thank goodness this is changing all across the U.S. now. We hope Iowa will help lead the way in this transformation for real transparency and meaningful public reporting.

In conclusion, the IHBA recommends the following actions:

1. The Commission should endorse and fully support as a goal the comparative public reporting of health provider quality, patient safety, and cost that are meaningful to consumers, patients, and purchasers.

2. The Commission should recommend that the Iowa Exchange or other agency of state government be designated to drive meaningful public reporting of health provider's performance in Iowa in the interests of consumers, patients, and purchasers as well as providers. This state agency should develop an Iowa Health Services Provider Statewide Information Hub that makes available to the general public Iowa health care providers' quality, patient safety and cost information and other data that are meaningful to consumers and patients. The Hub should include a searchable public website which is consumer friendly. (Note: It is very important that the state agency operate this program focusing on consumers, patients, and purchasers. The Department of Human Services or the Department or Administrative Services have experience and such a focus. If another agency is chosen, a consumer/purchaser council should be in place to advise and assist in a very active role).

3. The Commission should recommend that the State of Iowa should further transparency and meaningful public reporting of health provider performance through the value-based purchasing efforts of the Department of Administrative Services and the Iowa Medicaid Program. As Iowa's two large health care purchasers, they should lead the way through direct purchasing and/or health plans specifications requiring more meaningful public reporting of health provider performance. A careful and full review of leading efforts in other states should be done in this regard.

4.. In preparing its recommendation in regard to the above three items the Commission should review and report upon efforts underway in other states There are numerous states which publicly report provider performance which is meaningful to consumers, patients, and purchasers. These include Pennsylvania, Florida, Maine, Minnesota, and Massachusetts as well as the Wisconsin Collaborative for Healthcare Quality.

It is our hope that this work group and the Commission will fully consider these recommendations and the other information presented today. The Iowa Health Buyers Alliance is available to assist you upon request. Just as the hospitals have their associations, doctors have their societies, and insurance companies have their organizations so should consumers and purchasers of health care be organized and engaged. IHBA is stepping up to provide this missing voice and focus. Thank you.

References available upon request:

1) Commonwealth Fund article "Transparency and Public Reporting Are Essential for a Safe Health Care System"
2) IHBA Consumers' Guide 4: Ranking of Hospitals for Chronic Care, Greater Iowa Area
3) IHBA Dartmouth Atlas Reporting at the Local Level: Iowa Case Study
4) IHBA Consumers' Guide 3: What Patients "say" About Their Experiences with Hospital Care in the Greater Iowa Area
5) IHBA Consumers' Health Guides Series and "Ask Your Doctor" Cards listing
6) Midwest Business Group on Health report "Reducing the Cost of Poor-Quality through Responsible Purchasing Leadership"., 2002
7) Rand Corporation report " U.S. Health Care: Facts About Cost, Access, and Quality", 2005
8) "Too Much Treatment? Aggressive Medical Care Can Lead to More Pain, With No Gain", John Wennberg, MD and Elliott Fisher, MD, Dartmouth Atlas of Health Care, Consumer Reports, July, 2008
9) "Comparative Public Reporting of Health Provider Quality and Cost", 2009, IHBA
10) "Summary of the Delivery and Payment Reform Elements of the Patient Protection and Affordable Care Act of 2010, Consumer-Purchaser Disclosure Project
11) "Accountable Care Organizations (ACOs): Potential to Foster Quality While Reducing Costs", 2010, Consumer-Purchaser Disclosure Project
12) "10 Years After To Error is Human: Are Hospitals Safer?" HealthLeaders Media, November, 30, 2009.
13) The Direct Medical Costs of Healthcare-Associated Infections in U.S. Hospitals and the Benefits of Prevention, Centers for Disease Control and Prevention, March, 2009
14) Medical Malpractice and Errors: Issue Update, Health Affairs, September 7, 2010

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